

# First Bond Sale Report

Taking the recommendations which have been gathered from citizens, city council, and staff, the following proposal is being made for consideration by the City Council for the first bond sale of the bonds authorized as a result of the September 14, 2002 election. The various components of a bond sale include: the amount of bonds which can be sold at one time while keeping the tax rate at an acceptable level, and projects to be funded by the proceeds of the bond sale. All of the above will be compared to the information given to the city council and the public concerning the bonds.

## Tax Rates:

The current tax rate for the City of Frisco is \$.337049 per \$100 value. In other words, a home valued at \$100,000 would pay \$337 in City property taxes (a home valued at \$200,000 would pay \$674). The tax rate reported in the bond report given to the city council in July 2002 listed the existing tax rate at the time of \$.367. The tax rate since 1994 has varied from a high of \$.4434 to the current rate of \$.337. When bonds were sold in 1995, the tax rate increased from \$.398 to \$.4434. Since 1996, the tax rate has declined to the current \$.337, even though \$14 million in bonds from the 1998 election were sold in 1998 and the remaining \$26 million from the 1998 authorization were sold in 2001.

The dominant factor in setting the tax rate is assessed valuation. The following table gives the tax values since 1994 and projects the tax values through 2009. The table also gives the projected tax values estimated for the 1998 bond election for the years 1999 through 2002. For estimating values for potential tax rates, it is always best to be on the conservative side of the estimates. By being conservative in assessed value projections, tax rates should not exceed projections. For the years 1999 through 2002, the estimated growth in the tax base ranged from 15% to 20%. Actual percentage increases in the taxable value for those years ranged from a low of 27% to a high of 43%.

For the years 2003 through 2009, we have started with a high of 20% for the next three years, going down to 15% for 2006 and 2007, and then going down to 12% for years 2008 and 2009. Looking at the growth rates of the taxable value since 1995, the lowest growth rate was in 1996 and 2003, both at 22%. The actual increase for this year's tax roll is 22% as compared to the projected 20% in the 2002 Bond Report. Based on numbers from the preliminary roll for the coming tax year, the increase is 20% which is the same increase as projected in last year's report. Please

note in the chart below, that the Actual Assessed Values for 2004 are based on the preliminary tax roll.

Year	Projected '98 - '02 ('98 est.) - '03 - '10 ( '02 est.)	Actual Assessed Value	Increase (Projected Value)	% Projected Increase	Actual Increase	Actual % Increase
1994		471,452,000				
1995		613,227,000			141,775,000	30%
1996		748,466,000			135,239,000	22%
1997		939,493,493			191,027,493	26%
1998		1,181,698,000			242,204,507	26%
1999	1,422,202,015	1,502,773,000	240,504,015	20%	321,075,000	27%
2000	1,706,642,418	2,137,592,000	284,440,403	20%	634,819,000	42%
2001	1,962,638,781	3,055,106,000	255,996,363	15%	917,514,000	43%
2002	2,257,034,598	3,951,860,000	294,395,817	15%	896,754,000	29%
2003	4,741,633,000	4,828,097,808	789,773,000	20%	876,237,808	22%
2004	5,689,959,600	5,780,959,872	948,326,600	20%	952,862,064	20%
2005	6,827,951,520		1,137,991,920	20%		
2006	7,852,144,248		1,024,192,728	15%		
2007	9,029,965,885		1,177,821,637	15%		
2008	10,113,561,791		1,083,595,906	12%		
2009	11,327,189,206		1,213,627,415	12%		
2010	12,686,451,911		1,359,262,705	12%		
2011	13,955,097,102		1,268,645,191	10%		

The tax rate is composed of two segments: (1) the maintenance and operation rate (M&O) which includes the requirements to fund the general operations of the City – fire, police, street maintenance, parks and recreation, library, etc.; and (2) the debt service rate. The M&O rate has been declining as the values have increased. This year the M&O rate is \$.241558 as compared to the 1998 M&O rate of \$.3007.

We are estimating that the M&O rate for the 2004 Budget will be approximately \$.23. The projections used in last year's bond report, estimated an M&O rate of \$.26 for the coming year.

The second part of the tax rate is the portion of the rate dedicated for debt service. This year's debt service rate is \$.095491. Without issuing additional debt, and with the projected increase in the assessed valuation, we expect the debt service rate to drop to \$.0818 for fiscal year 2004.

Using these factors, it needs to be decided at what level we want to keep the total tax rate. During the bond committee discussions, it was suggested that the tax rate should not exceed the \$.45 to \$.47 range. The following table details the projected annual tax rate by selling \$96,500,000 in bonds in 2003 (which will leave a remaining balance to be sold total of \$101,000,000). The recommended first sale of

\$96,500,000 is \$9,500,000 more than the amount suggested in the initial bond report. The reasons for the increase are: (1) it is suggested that the library be funded in the first sale; (2) the amount for streets has been increased to \$30 million which recognizes the need for more street construction, and (3) the first phase of the recreation center (\$11 million) has been included as well. Another factor in recommending additional funds in the first sale is the current low interest rate. It is expected that the rate will be less than 4%. Since the need is certainly present for all of the recommended projects, selling additional bonds with such a favorable interest rate makes economic sense.

One major deletion has been made from the first sale recommendations, that being the \$19 million for the arts center. Since the issue is still not settled in McKinney, it is recommended that we wait until the full arts program is approved in all four cities before selling the bonds for the project.

It is estimated that the tax rate for next year, assuming the \$96,500,000 is sold on July 1, will be \$.43. This compares well with the projected tax rate of \$.4592 which was in the initial bond report.

Year	Projected '98 - '02 ('98 est.) - '03 - '10 ('02 est.)	Actual Assessed Value	Increase (Projected Value)	% Projected Increase	Actual Increase	Actual % Increase	Projected Tax Rate	Actual Tax Rate
1994		471,452,000						0.4370
1995		613,227,000			141,775,000	30%		0.3980
1996		748,466,000			135,239,000	22%		0.4430
1997		939,493,493			191,027,493	26%		0.4195
1998		1,181,698,000			242,204,507	26%	0.429	0.4120
1999	1,422,202,015	1,502,773,000	240,504,015	20%	321,075,000	27%	0.458	0.3727
2000	1,706,642,418	2,137,592,000	284,440,403	20%	634,819,000	42%	0.453	0.3727
2001	1,962,638,781	3,055,106,000	255,996,363	15%	917,514,000	43%	0.449	0.3700
2002	2,257,034,598	3,951,860,000	294,395,817	15%	896,754,000	29%	0.478	0.3670
2003	4,741,633,000	4,828,097,808	789,773,000	20%	876,237,808	22%	0.400	0.3370
2004	5,689,959,600	5,780,959,872	948,326,600	20%	952,862,064	20%	0.459	0.4300
2005	6,827,951,520		1,046,991,648	18%			0.425	
2006	7,852,144,248		1,024,192,728	15%			0.460	
2007	9,029,965,885		1,177,821,637	15%			0.431	
2008	10,113,561,791		1,083,595,906	12%			0.456	
2009	11,327,189,206		1,213,627,415	12%			0.435	
2010	12,686,451,911		1,359,262,705	12%			0.416	
2011	13,955,097,102		1,268,645,191	10%			0.401	

Suggested Projects and Amounts for the First Sale are:

Item	Authorized	First Sale	Remaining	Notes
Streets	74,500,000	30,000,000	44,500,000	Streets Listed Below
Fire	19,000,000	7,000,000	12,000,000	Central and NE Substation
Police	16,000,000	16,000,000	0	Sites Being Evaluated
City Hall	18,000,000	18,000,000	0	Frisco Square
Heritage	3,500,000	1,500,000	2,000,000	Site Infrastructure/First Bldgs
Library	10,000,000	10,000,000	0	Frisco Square
Senior	2,000,000	0	2,000,000	Second Phase of Senior Ctr.
Parks	15,500,000	3,000,000	12,500,000	Combined with Grants
Rec Ctr.	20,000,000	11,000,000	9,000,000	First Phase
Arts Ctr.	19,000,000	0	19,000,000	To be sold when finalized
Total	197,500,000	96,500,000	101,000,000	

As you can see by the attached list, the various recommended street projects for funding from the first bond sale total approximately \$51,000,000. By applying current bond funds and thoroughfare impact fees on hand, along with expected developer contributions, committed general fund balance transfers, and doing some value engineering, we believe the \$30,000,000 of proposed money for streets in the first bond sale will fund the following projects:

PROJECT	FROM	TO	AMOUNT
Warren Parkway	DNT	Legacy	1,700,000
Legacy Road	Stonebriar	Warren Parkway	400,000
Ohio Drive	Lebanon Rd	Wade Blvd.	2,900,000
Ohio Drive	Lebanon Rd	Prestmont	590,000
SH 289 ( Preston Rd )	SH 121	Main Street	4,000,000
Main Street	DNT	RR	4,844,844
Main Street	RR	South County	5,400,000
Main Street	South County	Preston	5,400,000
Frisco Street	Main Street	Sinacola Park	3,600,000
Teel Road	Highsholes	Timber Ridge	4,200,000
Eldorado Over Pass	North County	Frisco Road	4,000,000
DNT U-Turns	SH 121	Eldorado	1,370,000
Lebanon Rd	Coit Rd	Hillcrest	600,000
Eldorado	Frisco Heights	Coit Rd	3,000,000
Teel	Main	Eldorado	1,400,000
Legacy	Main	Eldorado	800,000
Downtown Projects**			7,460,000

(\*\*Downtown Projects are:  
Fourth, Third, Sixth, Pecan, Hickory,  
Preston Trace, Sunset, First, Seventh,  
Dogwood, Meadow, Azalea, Maple, Mimosa)

<b>Sub- total project costs</b>	51,664,844
<b>Less 1998 Bond Funds</b>	12,350,000
<b>Less Existing Imp Fees</b>	2,500,000
<b>Less Developer Contrib.</b>	2,500,000
<b>Less Prev Alloc. Gen Funds</b>	1,500,000
<b>Less Value Engineering</b>	2,500,000
<b>Total</b>	30,314,844

There has been some discussion concerning what road projects have been funded with general obligation bonds in the past. The following chart shows past street improvements which were funded by previous bond issues:

<b>Street Projects Funded to Date with General Obligation Bond Funds</b>		
<b>Street</b>	<b>From</b>	<b>To</b>
Coit Road (ex Leb to College)	SH 121	FM 3537
Hillcrest Road (portions)	SH 121	FM 3537
Lebanon Road	DNT	Hillcrest
Ohio Road	SH 121	Prestmont
Ohio Road	College Parkway	Wade Boulevard
Rolater	SH 289	Hillcrest
Stonebrook (rebuild eb lanes)	Parkwood	SH 289
Warren Parkway	Hillcrest	Legacy
Gary Burns Drive (Spur 33 Ext)	SH 289	Kings Ridge Road
SH 289 (extra lanes)	SH 121	FM 3537
El Dorado	SH 289	Hillcrest
Parkwood	North Frisco Bridges	Fifth Street
North County Road	FM 3537	Meadow Hill
McKinney Road	FM 3537	North County

If you have any additional questions, don't hesitate to contact me.

Respectfully submitted,

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